

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201517021**
Release Date: 4/24/2015
Date: 1/27/2015

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

Q = Month

R = Number

S = Date

T = Scholarship Program

W = High School

X = Amount

Y = Number

Z = Number

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your request indicates you will operate a scholarship program called T to provide post-secondary scholarships to graduating seniors of W who will enroll on a full-time basis at an accredited post-secondary four year academic institution. Applications will be

distributed to W in Q of each year. All applications must be submitted to the W Guidance Office by 8 a.m. on S. You anticipate that you will award R scholarships yearly in the amount of X each. The board may determine to authorize the award of less than or more than R scholarships in any year or may choose to adjust the amount awarded. The determination of the number and amount of scholarships awarded each year will depend upon available funds and other criteria determined by the board.

To be eligible to apply for the scholarship grant, the student must be a senior at W, have a Y (or equivalent) grade point average or higher, have demonstrated and/or exhibited the potential for outstanding academic achievement and the potential for leadership, demonstrate a financial need, and complete an essay describing his or her future goals. Applicants must also meet the minimum standards required for admission to a post-secondary four-year academic institution.

Your scholarship committee will use an objective and nondiscriminatory set of criteria to evaluate candidates. The criteria you use will be considered and weighed equally. The criteria consist of academic achievement (including grade point average, class rank, and standardized test scores), extra-curricular activities and any other factors necessary to evaluate leadership qualities, and financial need.

The scholarship selection committee will consist of at least three independent individuals. The individuals selected to serve on the committee will either be associated with the educational process or be members of the community surrounding W. None of the committee members will be members or employees of your board.

Each scholarship will be paid in four equal annual installments directly to the post-secondary academic institution where the recipient will attend. Installments will only be paid for those years during which the recipient is enrolled on a full-time basis. In order to continue to receive the installments, the recipient must remain enrolled on a full-time basis at an accredited post-secondary four-year academic institution and must maintain a Z (or equivalent) grade point average or higher. Recipients must authorize the release of their transcripts and grades from the post-secondary academic institution. If the payment of future installments is discontinued due to a recipient's failure to maintain a Z grade point average, then the scholarship will be reinstated as of the first semester after such recipient again satisfies the requirement. Payment of all future installments will be immediately cancelled if a recipient is convicted of a felony. A scholarship may also be withdrawn if the scholarship committee reasonably determines that a recipient is not using or has not used the funds for the intended purpose. You will take all reasonable and appropriate steps to recover any diverted funds.

You will maintain all records related to the scholarship grants including, but not limited to, the information obtained to evaluate potential recipients, the identification of recipients, including any relationship of the recipient to you that makes the recipient a disqualified person, the amount and purpose of each grant, and the follow up information, including required annual reports and the investigation of jeopardized grants.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations